

Internal Revenue bulletin

Bulletin No. 2003-10
March 10, 2003

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2003-24, page 557.

Insurance companies; interest rate tables. Prevailing state assumed interest rates are provided for the determination of reserves under section 807 of the Code for contracts issued in 2002 and 2003. Rev. Rul. 92-19 supplemented in part.

Rev. Rul. 2003-26, page 563.

Federal rates; adjusted federal rates; adjusted federal long-term rate and the long-term exempt rate. For purposes of sections 382, 1274, 1288, and other sections of the Code, tables set forth the rates for March 2003.

T.D. 9039, page 561.

Final regulations under section 954 of the Code provide that gain or loss arising from certain commodities hedging transactions and currency gain or loss arising from certain interest-bearing liabilities do not constitute (or are not netted against) foreign personal holding company income. This treatment is implemented because the applicable commodities hedging transactions and interest-bearing liabilities typically offset transactions that do not generate foreign personal holding company income.

T.D. 9040, page 568.

Final regulations under sections 48, 152, 611, 852, 6011, and 6903 of the Code provide rules designed to eliminate regulatory impediments to the electronic filing of Form 1040, *U.S. Individual Income Tax Return*.

Notice 2003-16, page 575.

Low-income housing tax credit; private activity bonds. Resident population figures of the various states are provided for purposes of determining the 2003 calendar year (1) state housing credit ceiling under section 42(h) of the Code, (2) private activity bond volume cap under section 146, and (3) private activity bond volume limit under section 142(k)(5).

Rev. Proc. 2003-22, page 577.

Standard meal rates for family day care providers. This procedure provides optional standard meal and snack rates that family day care providers may use in computing the deductible cost of food provided to eligible children in the day care.

Announcement 2003-12, page 585.

This document changes the location of two public hearings on proposed regulations (REG-103829-99 and REG-143321-02) that relate to the definition of a highway vehicle for purposes of various excise taxes and information reporting of taxable stock transactions, respectively.

(Continued on the next page)

Finding Lists begin on page ii.



Department of the Treasury
Internal Revenue Service

EXCISE TAX

T.D. 9042, page 564.

REG-139768-02, page 583.

Temporary and proposed regulations, primarily under section 5891 of the Code, provide the manner and method of paying and reporting the nondeductible 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. A public hearing on the proposed regulations is scheduled for June 12, 2003.

Announcement 2003-12, page 585.

This document changes the location of two public hearings on proposed regulations (REG-103829-99 and REG-143321-02) that relate to the definition of a highway vehicle for purposes of various excise taxes and information reporting of taxable stock transactions, respectively.

ADMINISTRATIVE

Announcement 2003-11, page 585.

This document contains corrections to temporary regulations (T.D. 9022, 2002-48 I.R.B. 909) under section 6043(c) that require information reporting by a corporation if control of the corporation is acquired or if the corporation has a recapitalization or other substantial change in capital structure.

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court

decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

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Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 42.—Low-Income Housing Credit

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 162.—Trade or Business Expenses

Optional standard meal and snack rates are provided for use by taxpayers engaged in the trade or business of providing family day care in computing the deductible cost of food provided to eligible children in the day care. See Rev. Proc. 2003-22, page 577.

Section 280G.—Golden Parachute Payments

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 412.—Minimum Funding Standards

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 467.—Certain Payments for the Use of Property or Services

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 482.—Allocation of Income and Deductions Among Taxpayers

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 483.—Interest on Certain Deferred Payments

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 642.—Special Rules for Credits and Deductions

Federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 807.—Rules for Certain Reserves

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Insurance companies; interest rate tables. Prevailing state assumed interest rates are provided for the determination of reserves under section 807 of the Code for contracts issued in 2002 and 2003. Rev. Rul. 92-19 supplemented in part.

Rev. Rul. 2003-24

For purposes of § 807(d)(4) of the Internal Revenue Code, for taxable years beginning after December 31, 2001, this ruling supplements the schedules of prevailing

state assumed interest rates set forth in Rev. Rul. 92-19, 1992-1 C.B. 227. This information is to be used by insurance companies in computing their reserves for (1) life insurance and supplementary total and permanent disability benefits, (2) individual annuities and pure endowments, and (3) group annuities and pure endowments. As § 807(d)(2)(B) requires that the interest rate used to compute these reserves be the greater of (1) the applicable federal interest rate, or (2) the prevailing state assumed interest rate, the table of applicable federal interest rates in Rev. Rul. 92-19 is also supplemented.

Following are supplements to schedules A, B, C, and D to Part III of Rev. Rul. 92-19, providing prevailing state assumed interest rates for insurance products with different features issued in 2002 and 2003, and a supplement to the table in Part IV of Rev. Rul. 92-19, providing the applicable federal interest rates under § 807(d) for 2002 and 2003. This ruling does not supplement Parts I and II of Rev. Rul. 92-19.

This is the eleventh supplement to the interest rates provided in Rev. Rul. 92-19. Earlier supplements were published in Rev. Rul. 93-58, 1993-2 C.B. 241 (interest rates for insurance products issued in 1992 and 1993); Rev. Rul. 94-11, 1994-1 C.B. 196 (1993 and 1994); Rev. Rul. 95-4, 1995-1 C.B. 141 (1994 and 1995); Rev. Rul. 96-2, 1996-1 C.B. 141 (1995 and 1996); Rev. Rul. 97-2, 1997-1 C.B. 134 (1996 and 1997); Rev. Rul. 98-2, 1998-1 C.B. 259 (1997 and 1998); Rev. Rul. 99-10, 1999-1 C.B. 671 (1998 and 1999); Rev. Rul. 2000-17, 2000-1 C.B. 842 (1999 and 2000); Rev. Rul. 2001-11, 2001-1 C.B. 780 (2000 and 2001); and Rev. Rul. 2002-12, 2002-11 I.R.B. 624 (2001 and 2002).

Part III. Prevailing State Assumed Interest Rates — Products Issued in Years After 1982.*

Schedule A

STATUTORY VALUATION INTEREST RATES
BASED ON THE 1980 AMENDMENTS TO THE
NAIC STANDARD VALUATION LAW

A. Life insurance valuation:

<u>Guarantee Duration</u> <u>(years)</u>	<u>Calendar Year of Issue</u> <u>2003</u>
10 or fewer	5.00**
More than 10 but not more than 20	4.75**
More than 20	4.50**

Source: Rates calculated from the monthly averages, ending June 30, 2002, of Moody's Corporate Bond Yield Average — Monthly Average Corporates.

** As the applicable federal interest rate for 2003 of 5.27 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 5.27 percent.

* The terms used in the schedules in this ruling and in Part III of Rev. Rul. 92–19 are those used in the Standard Valuation Law; the terms are defined in Rev. Rul. 92–19.

Part III, Schedule B

STATUTORY VALUATION INTEREST RATES
BASED ON THE 1980 AMENDMENTS TO THE
NAIC STANDARD VALUATION LAW

B. Single premium immediate annuities and annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

<u>Calendar Year of Issue</u> <u>2002</u>	<u>Valuation Interest Rate</u> <u>6.50*</u>
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Source: Rates calculated from the monthly averages, ending June 30, 2002, of Moody's Corporate Bond Yield Average — Monthly Average Corporates. The terms used in this schedule are those used in the Standard Valuation Law as defined in Rev. Rul. 92–19.

*As this prevailing state assumed interest exceeds the applicable federal interest rate for 2002 of 5.71 percent, the valuation interest rate of 6.50 percent is to be used for this product under § 807.

Part III, Schedule C20 – 2002

STATUTORY VALUATION INTEREST RATES
BASED ON NAIC STANDARD VALUATION LAW
FOR **2002** CALENDAR YEAR BUSINESS
GOVERNED BY THE 1980 AMENDMENTS

C. Valuation interest rates for other annuities and guaranteed interest contracts that are valued on an issue year basis:

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	6.50	5.75	5.25*
		More than 5, but not more than 10	6.25	5.75	5.25*
		More than 10, but not more than 20	6.00	5.25*	5.00*
		More than 20	5.00*	4.50*	4.50*
Yes	No	5 or fewer	6.75	6.00	5.50*
		More than 5, but not more than 10	6.50	6.00	5.50*
		More than 10, but not more than 20	6.00	5.50*	5.25*
		More than 20	5.25*	4.75*	4.75*
No	Yes or No	5 or fewer	6.50		
		More than 5, but not more than 10	6.25	NOT APPLICABLE	
		More than 10, but not more than 20	6.00		
		More than 20	5.00*		

Source: Rates calculated from the monthly averages, ending June 30, 2002, of Moody's Corporate Bond Yield Average — Monthly Average Corporates.

*As the applicable federal interest rate for 2002 of 5.71 percent exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 5.71 percent.

Part III, Schedule D20 – 2002

STATUTORY VALUATION INTEREST RATES
BASED ON NAIC STANDARD VALUATION LAW
FOR **2002** CALENDAR YEAR BUSINESS
GOVERNED BY THE 1980 AMENDMENTS

D. Valuation interest rates for other annuities and guaranteed interest contracts that are contracts with cash settlement options and that are valued on a change in fund basis:

Cash Settlement Options?	Future Interest Guarantee?	Guarantee Duration (years)	Valuation Interest Rate For Plan Type		
			A	B	C
Yes	Yes	5 or fewer	7.25	6.75	5.50*
		More than 5, but not more than 10	7.00	6.75	5.50*
		More than 10, but not more than 20	6.50	6.25	5.25*
		More than 20	5.75	5.75	4.75*
Yes	No	5 or fewer	7.50	7.00	5.75
		More than 5, but not more than 10	7.25	7.00	5.75
		More than 10, but not more than 20	6.75	6.50	5.50*
		More than 20	6.00	6.00	5.00*

Source: Rates calculated from the monthly averages, ending June 30, 2002, of Moody's Corporate Bond Yield Average — Monthly Average Corporates.

*As the applicable federal interest rate for 2002 of 5.71 percent is equal to or exceeds this prevailing state assumed interest rate, the interest rate to be used for this product under § 807 is 5.71 percent.

Part IV. Applicable Federal Interest Rates.

TABLE OF
APPLICABLE FEDERAL INTEREST RATES
FOR PURPOSES OF § 807

Year	Interest Rate
2002	5.71
2003	5.27

Sources: Rev. Rul. 2001–58, 2001–2 C.B. 570 for the 2002 rate and Rev. Rul. 2002–81, 2002–49 I.R.B. 928 for the 2003 rate.

EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 92–19 is supplemented by the addition to Part III of that ruling of prevailing state assumed interest rates under § 807 for certain insurance products issued in 2002 and 2003 and is further supplemented by an addition to the table in Part IV of Rev. Rul. 92–19 listing applicable federal interest rates. Parts I and II of Rev. Rul. 92–19 are not affected by this ruling.

DRAFTING INFORMATION

The principal author of this revenue ruling is Ann H. Logan of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact her at (202) 622–3970 (not a toll-free call).

Section 846.—Discounted Unpaid Losses Defined

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003–26, page 563.

Section 954.—Foreign Base Company Income

26 CFR 1.954–2: Foreign personal holding company income.

T.D. 9039

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Part 1

Guidance Regarding the Definition of Foreign Personal Holding Company Income

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations that provide that gain or loss arising from certain commodities hedging transactions and currency gain or loss arising from certain interest-bearing liabilities do not constitute (or are not netted against) foreign personal holding company income. This treatment is implemented because the applicable commodities hedging transactions and interest-bearing liabilities typically offset transactions that do not generate foreign personal holding company income.

DATES: Effective Date: These regulations are effective on January 31, 2003.

Applicability Date: For dates of applicability, see §1.954–2(f)(2)(iv)(C), (v)(D), and (g)(2)(ii)(C)(2)(iii).

FOR FURTHER INFORMATION CONTACT: Kenneth Christman or Gregory Spring at (202) 622–3870 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

On May 13, 2002, proposed regulations (REG–154920–01, 2002–22 I.R.B. 1060 [67 FR 31995]) were published in the **Federal Register** under section 954 governing the definition of *foreign base company income* and *foreign personal holding company income* of a *controlled foreign corporation* (a CFC). These regulations addressed, among other matters, the circum-

stances in which income from transactions in commodities will be treated as foreign personal holding company income.

Following the publication of the proposed regulations, the IRS scheduled a public hearing and requested written comments on the regulations. The public hearing was canceled because no one requested to speak at the hearing. The IRS received one written comment, which recommended the proposed regulations be finalized as written.

Explanation of Revisions

The language of the proposed regulations is unchanged except for nonsubstantive changes to §§1.954–2(g)(2)(ii)(C)(2)(i) and (ii) that more explicitly set out the relationship between those paragraphs and §1.954–2(g)(2)(ii)(C)(I).

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal authors of these regulations are Kenneth Christman and Ted Setzer of the Office of the Associate Chief Counsel (International). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. In §1.954–0, paragraph (b) is amended by:

1. Removing the entry for §1.954–2(f)(2)(iii)(E).

2. Revising the entry for §1.954–2(f)(2)(iv).

3. Adding entries for §1.954–2(f)(2)(iv)(C), and (f)(2)(v) through (f)(2)(vi).

4. Adding entries for §1.954–2(g)(2)(ii)(C)(I) through (g)(2)(ii)(C)(2)(iii).

The additions and revisions read as follows:

§1.954–0 Introduction.

* * * * *

(b) * * *

§1.954–2 Foreign personal holding company income.

* * * * *

(f) * * *

(2) * * *

(iv) Qualified hedging transaction entered into prior to January 31, 2003.

* * * * *

(C) Effective date.

(v) Qualified hedging transaction entered into on or after January 31, 2003.

(A) In general.

(B) Exception.

(C) Examples.

(D) Effective date.

(vi) Financial institutions not a producer, etc.

(g) * * *

(2) * * *

(ii) * * *

(C) Regular dealers.

(I) General rule.

(2) Certain interest-bearing liabilities treated as dealer property.

(i) In general.

(ii) Failure to identify certain liabilities.

(iii) Effective date.

* * * * *

Par. 3. Section 1.954–2 is amended by:

1. Removing paragraph (f)(2)(iii)(E).

2. Revising the heading of paragraph (f)(2)(iv).

3. Adding paragraphs (f)(2)(iv)(C) and (f)(2)(v) through (f)(2)(vi).

4. Adding paragraphs (g)(2)(ii)(C)(1) through (g)(2)(ii)(C)(2)(iii).

5. Revising paragraph (g)(2)(iii).

The revisions and additions read as follows:

§1.954-2 Foreign personal holding company income.

* * * * *

(f) * * *

(2) * * *

(iv) *Qualified hedging transaction entered into prior to January 31, 2003.*

* * * * *

(C) *Effective date.* This paragraph (f)(2)(iv) applies to gain or loss realized by a controlled foreign corporation with respect to a qualified hedging transaction entered into prior to January 31, 2003.

(v) *Qualified hedging transaction entered into on or after January 31, 2003—*

(A) *In general.* The term *qualified hedging transaction* means a *bona fide* hedging transaction, as defined in paragraph (a)(4)(ii) of this section, with respect to one or more commodities transactions reasonably necessary to the conduct of any business by a producer, processor, merchant or handler of commodities in a manner in which such business is customarily and usually conducted by others. For purposes of this paragraph (f)(2)(v), a producer, processor, merchant or handler of commodities includes a controlled foreign corporation that regularly uses commodities in a manufacturing, construction, utilities, or transportation business.

(B) *Exception.* The term *qualified hedging transaction* does not include a transaction described in section 988(c)(1) (without regard to section 988(c)(1)(D)(i)).

(C) *Examples.* The following examples illustrate the provisions of this paragraph (f)(2)(v):

Example 1. CFC1 is a controlled foreign corporation located in country A. CFC1 manufactures and sells machinery in country B using aluminum and component parts purchased from third parties that contain significant amounts of aluminum. CFC1 conducts its manufacturing business in a manner in which such business is customarily and usually conducted by others. To protect itself against increases in the price of aluminum used in the machinery it manufactures, CFC1 enters into futures purchase contracts for the delivery of aluminum. These futures purchase contracts are *bona fide* hedging transactions. As CFC1 purchases aluminum and component parts containing significant amounts of aluminum in the spot market

for use in its business, it closes out an equivalent amount of aluminum futures purchase contracts by entering into offsetting aluminum futures sales contracts. The aluminum futures purchase contracts are qualified hedging transactions as defined in paragraph (f)(2)(v)(A) of this section. Accordingly, any gain or loss on such aluminum futures purchase contracts is excluded from the computation of foreign personal holding company income.

Example 2. CFC2 is a controlled foreign corporation located in country B. CFC2 operates an airline business within country B in a manner in which such business is customarily and usually conducted by others. To protect itself against increases in the price of aviation fuel, CFC2 enters into forward contracts for the purchase of aviation fuel. These forward purchase contracts are *bona fide* hedging transactions. As CFC2 purchases aviation fuel in the spot market for use in its business, it closes out an equivalent amount of its forward purchase contracts for cash pursuant to a contractual provision that permits CFC2 to terminate the contract and make or receive a one-time payment representing the contract's fair market value. The aviation fuel forward purchase contracts are qualified hedging transactions as defined in paragraph (f)(2)(v)(A) of this section. Accordingly, any gain or loss on such aviation fuel forward purchase contracts is excluded from the computation of foreign personal holding company income.

(D) *Effective date.* This paragraph (f)(2)(v) applies to gain or loss realized by a controlled foreign corporation with respect to a qualified hedging transaction entered into on or after January 31, 2003.

(vi) *Financial institutions not a producer, etc.* For purposes of this paragraph (f), a corporation is not a producer, processor, merchant, or handler of commodities if its business is primarily financial. For example, the business of a controlled foreign corporation is primarily financial if its principal business is making a market in notional principal contracts based on a commodities index.

* * * * *

(g) * * *

(2) * * *

(ii) * * *

(C) *Regular dealers—(1) General rule.* Transactions in dealer property (as defined in paragraph (a)(4)(v) of this section) described in section 988(c)(1)(B) or (C) that are entered into by a controlled foreign corporation that is a regular dealer (as defined in paragraph (a)(4)(iv) of this section) in such property in its capacity as a dealer will be treated as directly related to the business needs of the controlled foreign corporation under paragraph (g)(2)(ii)(A) of this section.

(2) *Certain interest-bearing liabilities treated as dealer property—(i) In general.* For purposes of this paragraph

(g)(2)(ii)(C), an interest-bearing liability incurred by a controlled foreign corporation that is denominated in (or determined by reference to) a non-functional currency shall be treated as dealer property of the type described in paragraph (g)(2)(ii)(C)(1) of this section if the liability, by being denominated in such currency, reduces the controlled foreign corporation's currency risk with respect to dealer property, and the liability is identified on the controlled foreign corporation's records as a liability treated as dealer property before the close of the day on which the liability is incurred.

(ii) *Failure to identify certain liabilities.* If a controlled foreign corporation identifies certain interest-bearing liabilities as liabilities treated as dealer property under paragraph (g)(2)(ii)(C)(2)(i) of this section but fails to so identify other interest-bearing liabilities that manage its currency risk with respect to assets held that constitute dealer property, the Commissioner may treat such other liabilities as properly identified as dealer property under paragraph (g)(2)(ii)(C)(2)(i) of this section if the Commissioner determines that the failure to identify such other liabilities had as one of its principal purposes the avoidance of federal income tax.

(iii) *Effective date.* This paragraph (g)(2)(ii)(C)(2) applies only to gain or loss from an interest-bearing liability entered into by a controlled foreign corporation on or after January 31, 2003.

* * * * *

(iii) *Special rule for foreign currency gain or loss from an interest-bearing liability.* Except as provided in paragraph (g)(2)(ii)(C)(2) or (g)(5)(iv) of this section, foreign currency gain or loss arising from an interest-bearing liability is characterized as subpart F income and non-subpart F income in the same manner that interest expense associated with the liability would be allocated and apportioned between subpart F income and non-subpart F income under §§1.861-9T and 1.861-12T.

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David A. Mader,
Assistant Deputy Commissioner
of Internal Revenue.

Approved January 17, 2003.

Pamela F. Olson,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register January 30, 2003, 8:45 a.m., and published in the issue of the Federal Register for January 31, 2003, 68 F.R. 4916)

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 412, 467, 468, 482, 483, 642, 807, 846, 1288, 7520, 7872.)

Federal rates; adjusted federal rates; adjusted federal long-term rate and the

long-term exempt rate. For purposes of sections 382, 1274, 1288, and other sections of the Code, tables set forth the rates for March 2003.

Rev. Rul. 2003–26

This revenue ruling provides various prescribed rates for federal income tax purposes for March 2003 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted

applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(2) for buildings placed in service during the current month. Finally, Table 5 contains the federal rate for determining the present value of annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2003–26 TABLE 1				
Applicable Federal Rates (AFR) for March 2003				
	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
<i>Short-Term</i>				
AFR	1.58%	1.57%	1.57%	1.56%
110% AFR	1.74%	1.73%	1.73%	1.72%
120% AFR	1.89%	1.88%	1.88%	1.87%
130% AFR	2.05%	2.04%	2.03%	2.03%
<i>Mid-Term</i>				
AFR	3.24%	3.21%	3.20%	3.19%
110% AFR	3.56%	3.53%	3.51%	3.50%
120% AFR	3.89%	3.85%	3.83%	3.82%
130% AFR	4.21%	4.17%	4.15%	4.13%
150% AFR	4.88%	4.82%	4.79%	4.77%
175% AFR	5.70%	5.62%	5.58%	5.56%
<i>Long-Term</i>				
AFR	4.80%	4.74%	4.71%	4.69%
110% AFR	5.28%	5.21%	5.18%	5.15%
120% AFR	5.77%	5.69%	5.65%	5.62%
130% AFR	6.25%	6.16%	6.11%	6.08%

REV. RUL. 2003–26 TABLE 2				
Adjusted AFR for March 2003				
	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	1.34%	1.34%	1.34%	1.34%
Mid-term adjusted AFR	2.76%	2.74%	2.73%	2.72%
Long-term adjusted AFR	4.58%	4.53%	4.50%	4.49%

REV. RUL. 2003-26 TABLE 3

Rates Under Section 382 for March 2003

Adjusted federal long-term rate for the current month	4.58%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	4.61%

REV. RUL. 2003-26 TABLE 4

Appropriate Percentages Under Section 42(b)(2) for March 2003

Appropriate percentage for the 70% present value low-income housing credit	7.93%
Appropriate percentage for the 30% present value low-income housing credit	3.40%

REV. RUL. 2003-26 TABLE 5

Rate Under Section 7520 for March 2003

Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	3.8%
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Section 1288.—Treatment of Original Issue Discounts on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003-26, page 563.

Section 5891.—Structured Settlement Factoring Transactions

26 CFR 157.5891-1T: Imposition of excise tax on structured settlement factoring transactions.

T.D. 9042

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 157 and 602

Excise Tax Relating to Structured Settlement Factoring Transactions

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Temporary regulations.

SUMMARY: This document contains temporary regulations relating to the manner and method of reporting and paying the nondeductible 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. The Victims of Terrorism Tax Relief Act of 2001 added this excise tax to the Internal Revenue Code of 1986. The text of the temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking (REG-139768-02) on this subject in this issue of the Bulletin.

DATES: *Effective Date:* These regulations are effective on February 19, 2003.

Applicability Date: For dates of applicability, see §157.5891-1T(e).

FOR FURTHER INFORMATION CONTACT: Shareen S. Pflanz at 202-622-8488 (not a toll-free call).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

These regulations are being issued without prior notice and public procedure pursuant to the Administrative Procedure Act (5 U.S.C. 553). For this reason, the collection of information contained in these regulations has been reviewed and, pending receipt and evaluation of public comments, approved by the Office of Management and Budget under control number 1545-1824. Responses to this collection of information are mandatory.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

For further information concerning this collection of information, and where to submit comments on the collection of information and the accuracy of the estimated burden, and suggestions for reducing this burden, please refer to the preamble to the cross-referencing notice of proposed rule-making (REG-139768-02) on page 583 of this Bulletin.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document adds a new part 157, Excise Tax on Structured Settlement Factoring Transactions, to title 26 of the Code of Federal Regulations. The temporary regulations under part 157 provide guidance on the proper manner and method of reporting and paying the 40-percent excise tax imposed on any person who acquires, directly or indirectly, structured settlement payment rights in a structured settlement factoring transaction. The temporary regulations reflect the addition to the Internal Revenue Code (Code) of chapter 55 and section 5891 by section 115 of the Victims of Terrorism Tax Relief Act of 2001, Public Law 107-134 (115 Stat. 2427, 2436-2439).

Explanation of Provisions

Section 5891 of the Internal Revenue Code imposes an excise tax on any person who acquires, directly or indirectly, structured settlement payment rights in a structured settlement factoring transaction. The tax is equal to 40 percent of the factoring discount with respect to the factoring transaction.

The temporary regulations set forth the manner and method of paying the excise tax imposed under section 5891 of the Code. Generally, the term *structured settlement factoring transaction* is defined as a transfer of structured settlement payment rights made for consideration by means of sale, assignment, pledge, or other form of en-

cumbrance or alienation for consideration. If a taxpayer is liable for the tax imposed by section 5891, the excise tax must be reported on Form 8876, *Excise Tax on Structured Settlement Factoring Transactions*. Generally, the temporary regulations require that the excise tax return be filed and the tax paid on or before the later of the ninetieth day following the day the taxpayer receives any structured settlement payment rights (including portions of structured settlement payments) or May 20, 2003. The temporary regulations provide rules relating to the Service's authority to extend the time for payment of any amount shown or required to be shown on the return.

The temporary regulations do not address the method of determining the proper amount of the excise tax imposed by section 5891 of the Code. Issues related to the determination of the amount of the excise tax may be addressed by future regulations.

The temporary regulations will be effective generally for structured settlement factoring transactions entered into on or after February 22, 2002.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. For the applicability of the Regulatory Flexibility Act (5 U.S.C. chapter 6), refer to the Special Analyses section of the preamble to the cross-reference notice of proposed rule-making (REG-139768-02) on page 583 of this issue of the Bulletin. Pursuant to section 7805(f) of the Internal Revenue Code, these temporary regulations will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact.

Drafting Information

The principal author of these regulations is Shareen Soltanzadeh Pflanz, Attorney, Office of Associate Chief Counsel (Income Tax and Accounting). However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Amendments to the Regulations

Accordingly, title 26 of the Code of Federal Regulations is amended as follows:

SUBCHAPTER D — MISCELLANEOUS EXCISE TAXES

Paragraph 1. Part 157 is added to read as follows:

PART 157 — EXCISE TAX ON STRUCTURED SETTLEMENT FACTORING TRANSACTIONS

Subpart A — Tax on Structured Settlement Factoring Transactions

Sec.

157.5891-1T Imposition of excise tax on structured settlement factoring transactions.

Subpart B — Procedure and Administration

Sec.

157.6001-1T Records, statements, and special returns.

157.6011-1T General requirement of return, statement, or list.

157.6061-1T Signing of returns and other documents.

157.6065-1T Verification of returns.

157.6071-1T Time for filing returns.

157.6081-1T Extension of time for filing the return.

157.6091-1T Place for filing returns.

157.6151-1T Time and place for paying of tax shown on returns.

157.6161-1T Extension of time for paying tax.

157.6165-1T Bonds where time to pay tax has been extended.

Authority: 26 U.S.C. 7805

Section 157.6001-1T also issued under 26 U.S.C. 6001.

Section 157.6011-1T also issued under 26 U.S.C. 6011.

Section 157.6061-1T also issued under 26 U.S.C. 6061

Section 157.6091-1T also issued under 26 U.S.C. 6091.

Section 157.6161-1T also issued under 26 U.S.C. 6161.

Subpart A — Tax on Structured Settlement Factoring Transactions

§157.5891—IT Imposition of excise tax on structured settlement factoring transactions.

(a) *In general.* Section 5891 imposes on any person who acquires, directly or indirectly, structured settlement payment rights in a structured settlement factoring transaction a tax equal to 40 percent of the factoring discount with respect to such factoring transactions.

(b) *Exceptions for certain approved transactions* — (1) *In general.* The excise tax shall not apply to a structured settlement factoring transaction if the transfer of structured settlement payment rights is approved in advance in a qualified order.

(2) *Qualified order dispositive.* A qualified order shall be treated as dispositive for purposes of this exception.

(c) *Definitions* — (1) *Applicable state statute* means —

(i) A statute that is enacted by the state in which the payee of the structured settlement is domiciled and that provides for the entry of an order, judgment, or decree described in paragraph (c)(4)(i) of this section; or

(ii) If there is no such statute, a statute that is enacted by the state in which either the party to the structured settlement (including an assignee under a qualified assignment under section 130) or the person issuing the funding asset for the structured settlement is domiciled or has its principal place of business and that provides for the entry of such an order, judgment, or decree.

(2) *Applicable state court* means, with respect to any applicable state statute, a court of the state that enacted such statute. If the payee of the structured settlement is not domiciled in the state that enacted the statute, the term also includes a court of the state in which the payee is domiciled.

(3) *Factoring discount* means an amount equal to the excess of —

(i) The aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction; over

(ii) The total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

(4) *Qualified order* means a final order, judgment, or decree that —

(i) Finds that the transfer of structured settlement payment rights does not contravene any federal or state statute, or the order of any court or responsible administrative authority, and is in the best interest of the payee, taking into account the welfare and support of the payee's dependents; and

(ii) Is issued under the authority of an applicable state statute by an applicable state court, or is issued by the responsible administrative authority (if any) which has exclusive jurisdiction over the underlying action or proceeding which was resolved by means of the structured settlement.

(5) *Responsible administrative authority* means the administrative authority that had jurisdiction over the underlying action or proceeding that was resolved by means of the structured settlement.

(6) *State* includes the Commonwealth of Puerto Rico and any possession of the United States.

(7) *Structured settlement* means an arrangement —

(i) That is established by —

(A) Suit or agreement for the periodic payment of damages excludable from the gross income of the recipient under section 104(a)(2); or

(B) Agreement for the periodic payment of compensation under any workers' compensation law excludable from the gross income of the recipient under section 104(a)(1); and

(ii) Under which the periodic payments are —

(A) Of the character described in section 130(c)(2)(A) and (B); and

(B) Payable by a person who is a party to the suit or agreement or to the workers' compensation claim or by a person who has assumed the liability for such periodic payments under a qualified assignment in accordance with section 130.

(8) *Structured settlement factoring transaction* means a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration other than —

(i) The creation or perfection of a security interest in structured settlement payment rights under a blanket security agreement entered into with an insured de-

pository institution in the absence of any action to redirect the structured settlement payments to such institution (or agent or successor thereof) or otherwise to enforce such blanket security interest as against the structured settlement payment rights; or

(ii) A subsequent transfer of structured settlement payment rights acquired in a structured settlement factoring transaction.

(9) *Structured settlement payment rights* means rights to receive payments under a structured settlement.

(d) *Coordination with other provisions of the Internal Revenue Code* — (1) *In general.* If the applicable requirements of sections 72, 104(a)(1), 104(a)(2), 130, and 461(h) were satisfied at the time the structured settlement involving structured settlement payment rights was entered into, the subsequent occurrence of a structured settlement factoring transaction shall not affect the application of the provisions of such sections to the parties to the structured settlement (including an assignee under a qualified assignment under section 130) in any taxable year.

(2) *No withholding of tax.* The provisions of section 3405 regarding withholding of tax shall not apply to the person making the payments in the event of a structured settlement factoring transaction.

(e) *Effective dates* — (1) *In general.* Section 5891 applies to structured settlement factoring transactions entered into on or after February 22, 2002. Section 5891(d) also applies to structured settlement factoring transactions entered into before February 22, 2002.

(2) *Transition rule.* In the case of a structured settlement factoring transaction entered into during the period beginning on February 22, 2002, and ending on July 1, 2002, no tax shall be imposed under section 5891(a) if —

(i) The structured settlement payee is domiciled in a state (or possession of the United States) that has not enacted an applicable state statute (as defined in section 5891(b)(3)); and

(ii) The person acquiring the structured settlement payment rights discloses to the structured settlement payee in advance of the structured settlement factoring transaction —

(A) The amounts and due dates of the payments to be transferred;

(B) The aggregate amount to be transferred;

(C) The consideration to be received by the structured settlement payee for the transferred payments;

(D) The discounted present value of the transferred payments (including the present value as determined in the manner described in section 7520); and

(E) The expenses required under the terms of the structured settlement factoring transaction to be paid by the structured settlement payee or deducted from the proceeds of such transaction.

Subpart B — Procedure and Administration

§157.6001–1T Records, statements, and special returns.

(a) *In general.* Any person subject to tax under chapter 55 (Structured Settlement Factoring Transactions) of the Internal Revenue Code (chapter 55) must keep such complete and detailed records as are sufficient to enable the Internal Revenue Service (IRS) to determine accurately the amount of liability under chapter 55.

(b) *Notice by the IRS requiring returns, statements, or the keeping of records.* The IRS may require any person, by notice served upon him, to make such returns, render such statements, or keep such specific records as will enable the IRS to determine whether or not the person is liable for tax under chapter 55.

(c) *Retention of records.* The records required by this section must be kept at all times available for inspection by the IRS, and shall be retained so long as the contents thereof may become material in the administration of any internal revenue law.

§157.6011–1T General requirement of return, statement, or list.

Every person liable for tax under section 5891 must file a return with respect to the tax in accordance with the forms and instructions provided by the Internal Revenue Service.

§157.6061–1T Signing of returns and other documents.

Any return, statement, or other document required to be made with respect to a tax imposed by chapter 55 (Structured

Settlement Factoring Transactions) of the Internal Revenue Code or the regulations thereunder must be signed by the person required to file the return, statement, or other document, or by the persons required or duly authorized to sign in accordance with the regulations, forms, or instructions prescribed with respect to such return, statement, or document. An individual's signature on such return, statement, or other document shall be *prima facie* evidence that the individual is authorized to sign the return, statement, or other document.

§157.6065–1T Verification of returns.

If a return, statement, or other document made under the provisions of chapter 55 of the Internal Revenue Code (chapter 55) or of subtitle F of the Code (subtitle F), or the regulations thereunder with respect to any tax imposed by chapter 55, or the form and instructions issued with respect to such return, statement, or other document, requires that it shall contain or be verified by a written declaration that it is made under the penalties of perjury, it must be so verified by the person or persons required to sign such return, statement, or other document. In addition, any other statement or document submitted under any provision of chapter 55 or subtitle F, or the regulations thereunder, with respect to any tax imposed by chapter 55 may be required to contain or be verified by written declaration that is made under the penalties of perjury.

§157.6071–1T Time for filing returns.

(a) *In general.* Except as provided in paragraph (b) of this section, returns required by §157.6011–1T (relating to returns of tax with respect to structured settlement factoring transactions) must be filed on or before the ninetieth day following the receipt of structured settlement payment rights in a structured settlement factoring transaction.

(b) *Returns relating to structured settlement payment rights received before February 19, 2003.* Returns required by §157.6011–1T that relate to structured settlement payment rights received on or before February 19, 2003, must be filed on or before May 20, 2003.

§157.6081–1T Extension of time for filing the return.

(a) *Application for extension.* An application for an extension of time for filing the

return required by §157.6011–1T (relating to returns of tax with respect to structured settlement factoring transactions) must be completed in accordance with the forms and instructions provided by the Internal Revenue Service. It should be made before the expiration of the time within which the return otherwise must be filed, and failure to do so may indicate negligence and constitute sufficient cause for denial. It should, where possible, be made sufficiently early to permit consideration of the matter and reply before what otherwise would be the due date of the return. An extension of time for filing a return shall not extend the time for the payment of the tax or any part thereof unless specified to the contrary in the grant of the extension.

(b) *Filing of return.* If an extension of time for filing the return is granted, a return must be filed before the period of extension expires.

§157.6091–1T Place for filing returns.

The return required by §157.6011–1T (relating to returns of tax with respect to structured settlement factoring transactions) must be filed at the place specified in the forms and instructions provided by the Internal Revenue Service.

§157.6151–1T Time and place for paying of tax shown on returns.

The tax under chapter 55 (Structured Settlement Factoring Transactions) of the Internal Revenue Code shown on any return must, without assessment or notice and demand, be paid at the time and place specified in the forms and instructions provided by the IRS. For provisions relating to the time and place for filing such return, see §157.6071–1T and §157.6091–1T. For provisions relating to the extension of time for paying the tax, see §157.6161–1T.

§157.6161–1T Extension of time for paying tax.

(a) *In general — (1) Tax shown or required to be shown on return.* The Internal Revenue Service may, at the request of the taxpayer, grant a reasonable extension of time for payment of the amount of any tax imposed by chapter 55 (Structured Settlement Factoring Transactions) of the Internal Revenue Code (chapter 55) and shown or required to be shown on any return. The period of such extension shall not

exceed 6 months from the date fixed for payment of such tax, except that in the case of a taxpayer that is abroad, such extension may exceed 6 months.

(2) *Extension of time for filing distinguished.* The granting of an extension of time for filing a return does not extend the time for the payment of the tax or any part thereof unless so specified in the extension.

(b) *Certain rules relating to extension of time for paying income tax to apply.* The provisions of §1.6161-1(b), (c), and (d) of this chapter (relating to a requirement for undue hardship, to the application for extension, and to payment pursuant to an extension) shall apply to extensions of time

for payment of the tax imposed by chapter 55 of the Internal Revenue Code.

§157.6165-1T Bonds where time to pay tax has been extended.

If an extension of time for payment is granted under section 6161, the Internal Revenue Service may, if it deems necessary, require a bond for the payment, in accordance with the terms of the extension, of the amount with respect to which the extension is granted. However, the bond shall not exceed double the amount with respect to which the extension is granted. For provisions relating to the form of bonds, see the regulations under section 7101 con-

tained in part 301 (Regulations on Procedure and Administration) of this chapter.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 2. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 3. In §602.101, paragraph (b) is amended by adding entries in numerical order to the table as follows:

§602.101 OMB control numbers.

* * * * *
(b) * * *

CFR part or section where identified and described	Current OMB control No.
* * * * *	
157.6001-1T	1545-1824
157.6011-1T	1545-1824
157.6081-1T	1545-1824
157.6161-1T	1545-1824
* * * * *	

David A. Mader,
Assistant Deputy Commissioner
of Internal Revenue.

Approved December 17, 2002.

Pamela F. Olson,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on February 18, 2003, 8:45 a.m., and published in the issue of the Federal Register for February 19, 2003, 68 F.R. 7922)

Section 6001.—Notice or Regulations Requiring Records, Statements, and Special Returns

26 CFR 157.6001-1T: Records, statements, and special returns.

Rules are provided regarding the recordkeeping requirements imposed on any person subject to tax under chapter 55 (regarding structured settlement factoring transactions) of the Code. See T.D. 9042, page 564.

26 CFR 1.6001: Records.

Family day care providers may use optional standard meal and snack rates to compute the deductible cost of food provided to eligible children in the day care in lieu of maintaining records to substantiate actual cost. Family day care providers who use the standard meal and snack rates should maintain records that include the name of each eligible child, dates and hours of attendance in the family day care, and the type and quantity of meals and snacks served, and may use the meal and snack log provided. See Rev. Proc. 2003-22, page 577.

Section 6011.—General Requirement of Return, Statement, or List

26 CFR 157.6011-1T: General requirement of return, statement, or list.

Rules are provided under which every person liable for the 40-percent excise tax under section 5891 of the Code (regarding structured settlement factoring transactions) must file a return with respect to such tax. See T.D. 9042, page 564.

26 CFR 301.6011-1: General requirement of return, statement or list.

T.D. 9040
DEPARTMENT OF THE TREASURY
Internal Revenue Service
26 CFR Parts 1, 301 and 602

Guidance Necessary to Facilitate Electronic Tax Administration

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and removal of temporary regulations.

SUMMARY: This document contains final regulations that eliminate regulatory impediments to the electronic filing of Form 1040, *U.S. Individual Income Tax Return*. These regulations affect taxpayers who file Form 1040 and who are required to file any of the following forms: Form 56, *Notice Concerning Fiduciary Relationship*; Form

2120, *Multiple Support Declaration*; Form 2439, *Notice to Shareholder of Undistributed Long-Term Capital Gains*; Form 3468, *Investment Credit*; and Form T (Timber), *Forest Activities Schedules*.

DATES: EFFECTIVE DATE: These regulations are effective January 31, 2003.

FOR FURTHER INFORMATION CONTACT: Joseph P. Dewald, (202) 622-4910 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these final regulations has been reviewed and approved by the **Office of Management and Budget** in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)) under control number 1545-1783. The collection of information in these final regulations is in §§1.48-12(d)(7)(iv), 1.152-3(c), 1.611-3(h), 1.852-9(c)(1), and 301.6903-1(b). Responses to this collection of information are mandatory.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number assigned by the **Office of Management and Budget**.

The estimated additional burden in final regulations §§1.611-3(h), 1.852-9(c)(1), and 301.6903-1(b) is 0 hours because the records that are required to be maintained were previously required to be maintained to document the reporting requirements. This reporting burden will be reflected in the burden estimate for Form T (Timber), Form 2439, and Form 56, respectively.

Estimated additional total annual reporting burden for 2002 for Form 3468: 376 hours.

Estimated number of responses for 2002 for Form 3468: 22,575.

Estimated additional average annual burden hours per response for 2002 for Form 3468: 1 minute.

Estimated additional total annual reporting burden for 2002 for Form 2120: 550 hours.

Estimated number of responses for 2002 for Form 2120: 11,000.

Estimated additional average annual burden hours per response for 2002 for Form 2120: 3 minutes.

The estimated additional reporting burden for the reporting in final regulations §§1.48-12(d)(7)(iv) and 1.152-3(c) will be reflected in the burden estimate for Form 3468 and Form 2120, respectively.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be sent to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, W:CAR:MP:FP:S, Washington, DC 20224, and to the **Office of Management and Budget**, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1) and the Procedure and Administration Regulations (26 CFR part 301) designed to eliminate regulatory impediments to the electronic filing of Form 1040.

In 1998, Congress enacted the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 1998), Public Law 105-206 (112 Stat. 685) (1998). Section 2001(a) of RRA 1998 states that the policy of Congress is that paperless filing should be the preferred and most convenient means of filing Federal tax returns. Section 2001(a) of RRA 1998 also sets a long-range goal for the IRS to have at least 80 percent of all federal tax returns filed electronically by 2007. Section 2001(b) of RRA 1998 requires the IRS to establish a 10-year strategic plan to eliminate barriers to electronic filing. On April 24, 2002, the IRS published temporary regulations (T.D. 8989, 2002-20 I.R.B. 920 [67 FR 20028]) and a cross-reference notice of proposed rulemaking (REG-107184-00, 2002-20 I.R.B. 967 [67 FR 20072]) to facilitate the implementation of this plan by eliminating regulatory impediments to the electronic filing of Form 1040.

The temporary regulations amended the Procedure and Administration Regulations to provide a regulatory statement of IRS authority to prescribe what return information or documentation must be filed with

a return, statement, or other document required to be made under any provision of the internal revenue laws or regulations. The regulations give the IRS maximum flexibility in prescribing (1) what needs to be filed in support of a return or claim, and (2) the form of the filing, *e.g.*, electronic versus paper. The regulations permit the IRS to prescribe required return information in forms, instructions, or other appropriate guidance.

In addition, the IRS identified five regulatory provisions that impede electronic filing by requiring the taxpayer to either include a third-party signature, or attach a document generated by a third party. The temporary regulations amended those provisions to eliminate the impediments.

No written comments were received in response to the cross-reference notice of proposed rulemaking and no public hearing was requested or held.

Explanation of Provisions

This Treasury decision removes the temporary regulations and adopts the proposed regulations with minor clarifications explained below.

These final regulations clarify how to “file” a written declaration waiving the dependency deduction under section 152(c)(4). Section 1.152-3(a)(4) of the existing regulations provides that each person waiving the deduction should “file” a written declaration stating that the person waiving the deduction will not claim the individual as a dependent. However, the term “file” is confusing because it usually refers to a submission to the IRS. These final regulations amend section 1.152-3(a)(4) to provide that each person waiving the deduction should “furnish” a written waiver declaration to the taxpayer claiming the deduction.

Section 1.152-3(b) of the existing regulations provides two examples explaining the requirements in section 1.152-3(a). The examples require that the written declarations furnished by each person waiving the deduction be attached to the income tax return of the taxpayer. These final regulations update the examples by removing the requirement that the waivers be attached to the taxpayer’s return. The amended regulations require the taxpayer to retain the waivers consistent with section 1.152-3(c).

Under section 1.152-3(c)(3) of the proposed regulations, the taxpayer claiming the individual as a dependent must retain the declarations furnished by the persons waiving the deduction. Section 1.152-3(c)(3) of the proposed regulations also provides that the IRS may request other information from the taxpayer to substantiate the dependency claim. The proposed regulation then states that the other information that will substantiate the claim may include a statement showing the names of all contributors and the amount contributed by each. These final regulations clarify that the statement is just one of many pieces of information that the IRS may request to substantiate the dependency claim. No one statement or piece of information is necessarily determinative.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. It is hereby certified that the collection of information in these regulations will not have a significant economic impact on a substantial number of small entities. This certification is based upon the fact that the persons responsible for recordkeeping are principally individuals, and the burden is not significant as described earlier in the preamble. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on their impact on small business.

Drafting Information

The principal author of these regulations is Joseph P. Dewald, Office of Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division. However, other personnel from the IRS and the Treasury Department participated in the development of the regulations.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1, 301, and 602 are amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.48-12 is amended as follows:

1. Revising paragraph (d)(7)(iii).
2. Adding a new paragraph (d)(7)(iv).

§1.48-12 Qualified rehabilitated building; expenditures incurred after December 31, 1981.

* * * * *

(d) * * *

(7) * * *

(iii) *Effective dates.* Paragraph (d)(7)(i) of this section applies to returns for taxable years beginning before January 1, 2002. The requirement in the fourth sentence of paragraph (d)(7)(ii) of this section applies only if the first income tax return filed after receipt by the taxpayer of the certification is for a taxable year beginning before January 1, 2002. For rules applicable to returns for taxable years beginning after December 31, 2001, see paragraph (d)(7)(iv) of this section.

(iv) *Returns for taxable years beginning after December 31, 2001—(A) In general.* Except as otherwise provided in paragraph (d)(7)(ii) of this section and this paragraph (d)(7)(iv), a taxpayer claiming the credit for rehabilitation of a certified historic structure (within the meaning of section 47(c)(3) and paragraph (d)(1) of this section) for a taxable year beginning after December 31, 2001, must provide with the return for the taxable year in which the credit is claimed, the NPS project num-

ber assigned by, and the date of the final certification of completed work received from, the Secretary of the Interior. If a credit (including a credit for a taxable year beginning before January 1, 2002) is claimed under the late certification procedures of paragraph (d)(7)(ii) of this section and the first income tax return filed by the taxpayer after receipt of the certification is for a taxable year beginning after December 31, 2001, the taxpayer must provide the NPS project number assigned by, and the date of the final certification of completed work received from, the Secretary of the Interior with that return.

(B) *Reporting and recordkeeping requirements.* The information required under paragraph (d)(7)(iv)(A) of this section must be provided on Form 3468 (or its successor) filed with the taxpayer's return. In addition, the taxpayer must retain a copy of the final certification of completed work for as long as its contents may become material in the administration of any internal revenue law.

(C) *Passthrough entities.* In the case of a credit for qualified rehabilitation expenditures of a partnership, S corporation, estate, or trust, the requirements of this paragraph (d)(7)(iv) apply only to the entity. Each partner, shareholder or beneficiary claiming a credit for such qualified rehabilitation expenditures from a passthrough entity must, however, provide the employer identification number of the entity on Form 3468 (or its successor).

§1.48-12T [Removed]

Par. 3. Section 1.48-12T is removed.

Par. 4. In §1.152-3, paragraphs (a)(4) and (b) are revised and paragraph (c) is added to read as follows:

§1.152-3 Multiple support agreements.

(a) * * *

(4) Each other person in the group who contributed more than 10 percent of such support furnishes to the taxpayer claiming the dependent a written declaration that such other person will not claim the individual as a dependent for any taxable year beginning in such calendar year.

(b) *Examples.* Application of the rule contained in paragraph (a) of this section may be illustrated by the following examples:

Example (1). During the taxable year, brothers A, B, C, and D contributed the entire support of their mother in the following percentages: A, 30 percent; B, 20 percent; C, 29 percent; and D, 21 percent. Any one of the brothers, except for the fact that he did not contribute more than half of her support, would have been entitled to claim his mother as a dependent. Consequently, any one of the brothers could claim a de-

duction for the exemption of the mother if he obtained a written declaration (as provided in paragraph (a)(4) of this section) from each of the other brothers. Even though A and D together contributed more than one-half the support of the mother, A, if he wished to claim his mother as a dependent, would be required to obtain written declarations from B, C, and D, since each of those three contributed more than 10 percent of the

support and, but for the failure to contribute more than half of the mother's support, would have been entitled to claim his mother as a dependent.

Example (2). During the taxable year, E, an individual who resides with his son, S, received his entire support for that year as follows:

Source	Percentage of Total
Social Security	25
N, an unrelated neighbor	11
B, a brother	14
D, a daughter	10
S, a son	40
Total received by E	100

B, D, and S are persons each of whom, but for the fact that none contributed more than half of E's support, could claim E as a dependent for the taxable year. The three together contributed 64 percent of E's support, and, thus, each is a member of the group to be considered for the purpose of section 152(c). B and S are the only members of such group who can meet all the requirements of section 152(c), and either one could claim E as a dependent for his taxable year if he obtained a written declaration (as provided in paragraph (a)(4) of this section) signed by the other, and furnished the other information required by the return with respect to all the contributions to E. Inasmuch as D did not contribute more than 10 percent of E's support, she is not entitled to claim E as a dependent for the taxable year nor is she required to furnish a written declaration with respect to her contributions to E. N contributed over 10 percent of the support of E, but, since he is an unrelated neighbor, he does not qualify as a member of the group for the purpose of the multiple support agreement under section 152(c).

(c)(1) The member of a group of contributors who claims an individual as a dependent for a taxable year beginning before January 1, 2002, under the multiple support agreement provisions of section 152(c) must attach to the member's income tax return for the year of the deduction a written declaration from each of the other persons who contributed more than 10 percent of the support of such individual and who, but for the failure to contribute more than half of the support of the individual, would have been entitled to claim the individual as a dependent.

(2) The taxpayer claiming an individual as a dependent for a taxable year beginning after December 31, 2001, under the multiple support agreement provisions of section 152(c) must provide with the income tax return for the year of the deduction—

(i) A statement identifying each of the other persons who contributed more than 10 percent of the support of the individual and who, but for the failure to contribute more than half of the support of the individual, would have been entitled to claim the individual as a dependent; and

(ii) A statement indicating that the taxpayer obtained a written declaration from each of the persons described in section 152(c)(2) waiving the right to claim the individual as a dependent.

(3) The taxpayer claiming the individual as a dependent for a taxable year beginning after December 31, 2001, must retain the waiver declarations and should be prepared to furnish the waiver declarations and any other information necessary to substantiate the claim, which may include a statement showing the names of all contributors (whether or not members of the group described in section 152(c)(2)) and the amount contributed by each to the support of the claimed dependent.

§1.152-3T [Removed]

Par. 5. Section 1.152-3T is removed.

Par. 6. In §1.611-3, paragraph (h) is added to read as follows:

§1.611-3 Rules applicable to timber.

* * * * *

(h) *Reporting and recordkeeping requirements*—(1) *Taxable years beginning before January 1, 2002.* A taxpayer claiming a deduction for depletion of timber for a taxable year beginning before January 1, 2002, shall attach to the income tax return of the taxpayer a filled-

out Form T (Timber) for the taxable year covered by the income tax return, including the following information—

(i) A map where necessary to show clearly timber and land acquired, timber cut, and timber and land sold;

(ii) Description of, cost of, and terms of purchase of timberland or timber, or cutting rights, including timber or timber rights acquired under any type of contract;

(iii) Profit or loss from sale of land, or timber, or both;

(iv) Description of timber with respect to which claim for loss, if any, is made;

(v) Record of timber cut;

(vi) Changes in each timber account as a result of purchase, sale, cutting, reestimate, or loss;

(vii) Changes in improvements accounts as the result of additions to or deductions from capital and depreciation, and computation of profit or loss on sale or other disposition of such improvements;

(viii) Operation data with respect to raw and finished material handled and inventoried;

(ix) Statement as to application of the election under section 631(a) and pertinent information in support of the fair market value claimed thereunder;

(x) Information with respect to land ownership and capital investment in timberland; and

(xi) Any other data which will be helpful in determining the reasonableness of the depletion or depreciation deductions claimed in the return.

(2) *Taxable years beginning after December 31, 2001.* A taxpayer claiming a de-

duction for depletion of timber on a return filed for a taxable year beginning after December 31, 2001, shall attach to the income tax return of the taxpayer a filled-out Form T (Timber) for the taxable year covered by the income tax return. In addition, the taxpayer must retain records sufficient to substantiate the right of the taxpayer to claim the deduction, including a map, where necessary, to show clearly timber and land acquired, timber cut, and timber and land sold for as long as their contents may become material in the administration of any internal revenue law.

§1.611–3T [Removed]

Par. 7. Section 1.611–3T is removed.

Par. 8. In §1.852–9, paragraph (c)(1) is added to read as follows:

§1.852–9 Special procedural requirements applicable to designation under section 852(b)(3)(D).

* * * * *

(c) *Shareholders*—(1) *Return and Recordkeeping Requirements*—(i) *Return requirements for taxable years beginning before January 1, 2002.* For taxable years beginning before January 1, 2002, the copy B of Form 2439 furnished to a shareholder by the regulated investment company or by a nominee, as provided in §1.852–9(a) or (b) shall be attached to the income tax return of the shareholder for the taxable year in which the amount of undistributed capital gains is includible in gross income as provided in §1.852–4(b)(2).

(ii) *Recordkeeping requirements for taxable years beginning after December 31, 2001.* For taxable years beginning after December 31, 2001, the shareholder shall retain a copy of Form 2439 for as long as its contents may become material in the administration of any internal revenue law.

* * * * *

§1.852–9T [Removed]

Par. 9. Section 1.852–9T is removed.

PART 301—PROCEDURE AND ADMINISTRATION

Par. 10. The authority citation for part 301 continues to read as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 11. Section 301.6011–1 is added to read as follows:

§301.6011–1 General requirement of return, statement or list.

(a) For provisions requiring returns, statements, or lists, see the regulations relating to the particular tax.

(b) The Internal Revenue Service may prescribe in forms, instructions, or other appropriate guidance the information or documentation required to be included with any return or any statement required to be made or other document required to be furnished under any provision of the internal revenue laws or regulations.

§301.6011–1T [Removed]

Par. 12. Section 301.6011–1T is removed.

Par. 13. In §301.6903–1, paragraph (b) is added to read as follows:

§301.6903–1 Notice of fiduciary relationship.

* * * * *

(b) *Manner of notice*—(1) *Notices filed before April 24, 2002.* This paragraph (b)(1) applies to notices filed before April 24, 2002. The notice shall be signed by the fiduciary, and shall be filed with the Internal Revenue Service office where the return of the person for whom the fiduciary is acting is required to be filed. The notice must state the name and address of the person for whom the fiduciary is acting, and the nature of the liability of such person; that is, whether it is a liability for tax, and, if so, the type of tax, the year or years involved, or a liability at law or in equity of a transferee of property of a taxpayer, or a liability of a fiduciary under section 3467 of the Revised Statutes, as amended (31 U.S.C. 192) in respect of the payment of any tax from the estate of the taxpayer. Satisfactory evidence of the authority of the fiduciary to act for any other person in a fiduciary capacity must be filed with and made a part of the notice. If the fiduciary capacity exists by order of court, a certified copy of the order may be regarded as satisfactory evidence. When the fiduciary capacity has terminated, the fiduciary, in order to be relieved of any further duty or liability as such, must file with the Internal Revenue Service office with whom the notice of fiduciary relationship was filed written notice that the fiduciary capacity has terminated as to him, accompanied by satisfactory evidence of the termination of the

fiduciary capacity. The notice of termination should state the name and address of the person, if any, who has been substituted as fiduciary. Any written notice disclosing a fiduciary relationship which has been filed with the Commissioner under the Internal Revenue Code of 1939 or any prior revenue law shall be considered as sufficient notice within the meaning of section 6903. Any satisfactory evidence of the authority of the fiduciary to act for another person already filed with the Commissioner or district director need not be resubmitted.

(2) *Notices filed on or after April 24, 2002.* This paragraph (b)(2) applies to notices filed on or after April 24, 2002. The notice shall be signed by the fiduciary, and shall be filed with the Internal Revenue Service Center where the return of the person for whom the fiduciary is acting is required to be filed. The notice must state the name and address of the person for whom the fiduciary is acting, and the nature of the liability of such person; that is, whether it is a liability for tax, and if so, the type of tax, the year or years involved, or a liability at law or in equity of a transferee of property of a taxpayer, or a liability of a fiduciary under 31 U.S.C. 3713(b), in respect of the payment of any tax from the estate of the taxpayer. The fiduciary must retain satisfactory evidence of his or her authority to act for any other person in a fiduciary capacity as long as the evidence may become material in the administration of any internal revenue law.

* * * * *

§301.6903–1T [Removed]

Par. 14. Section 301.6903–1T is removed.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 15. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 16. In §602.101, paragraph (b), the table is amended as follows:

1. The following entries are removed:

§602.101 OMB Control numbers.

* * * * *

(b) * * *

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.48-12T	1545-0155 1545-1783
* * * * *	
1.152-3T	1545-0071 1545-1783
* * * * *	
1.611-3T	1545-0007 1545-0099 1545-1784
* * * * *	
1.852-9T	1545-0074 1545-0123 1545-0144 1545-0145 1545-1783
* * * * *	
301.6903-1T	1545-0013 1545-1783
* * * * *	

2. The following entries are revised: §602.101 OMB Control numbers. (b) * * *

* * * * *

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.48-12.....	1545-0155 1545-1783
* * * * *	
1.152-3.....	1545-0071 1545-1783
* * * * *	
1.611-3.....	1545-0007 1545-0099 1545-1784
* * * * *	
1.852-9.....	1545-0074 1545-0123 1545-0144 1545-0145 1545-1783
* * * * *	
301.6903-1.....	1545-0013 1545-1783
* * * * *	

David A. Mader,
*Assistant Deputy Commissioner
of Internal Revenue.*

Approved January 14, 2003.

Pamela F. Olson,
Assistant Secretary of the Treasury.

(Filed by the Office of the Federal Register on January 30, 2003, 8:45 a.m., and published in the issue of the Federal Register for January 31, 2003, 68 F.R. 4918)

Section 6061.—Signing of Returns and Other Documents

26 CFR 157.6061–1T: Signing of returns and other documents.

Rules are provided for the manner and method of paying and reporting the non-deductible 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. See T.D. 9042, page 564.

Section 6065.—Verification of Returns

26 CFR 157.6065–1T: Verification of returns.

Rules are provided for the manner and method of paying and reporting the non-deductible 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. See T.D. 9042, page 564.

Section 6071.—Time for Filing Returns and Other Documents

26 CFR 157.6071–1T: Time for filing returns relating to structured settlement factoring transactions.

Rules are provided regarding the time for filing returns relating to the 40-percent excise tax under section 5891 of the Code (regarding structured settlement factoring transactions). See T.D. 9042, page 564.

Section 6081.—Extension of Time for Filing Returns

26 CFR 157.6081–1T: Extension of time for filing the return.

Rules are provided regarding extensions of time for filing returns relating to the 40-percent excise tax under section 5891 of the Code (regarding structured settlement factoring transactions). See T.D. 9042, page 564.

Section 6091.—Place for Filing Returns or Other Documents

26 CFR 157.6091–1T: Place for filing returns.

Rules are provided regarding the place for filing returns relating to the 40-percent excise tax under section 5891 of the Code (regarding structured settlement factoring transactions). See T.D. 9042, page 564.

Section 6151.—Time and Place for Paying Tax Shown on Returns

26 CFR 157.6151–1T: Time and place for paying tax shown on returns.

Rules are provided regarding the time and manner for paying the 40-percent excise tax imposed under section 5891 of the Code (regarding structured settlement factoring transactions). See T.D. 9042, page 564.

Section 6161.—Extension of Time for Paying Tax

26 CFR 157.6161–1T: Extension of time for paying tax.

Rules are provided regarding extensions of time for paying the 40-percent excise tax under section 5891 of the Code (regarding structured settlement factoring transactions). See T.D. 9042, page 564.

Section 6165.—Bonds Where Time to Pay Tax or Deficiency Has Been Extended

26 CFR 157.6165–1T: Bonds where time to pay tax has been extended.

Rules are provided for the manner and method of paying and reporting the non-deductible 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. See T.D. 9042, page 564.

Section 7520.—Valuation Tables

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003–26, page 563.

Section 7872.—Treatment of Loans With Below-Market Interest Rates

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of March 2003. See Rev. Rul. 2003–26, page 563.

Part III. Administrative, Procedural, and Miscellaneous

2003 Calendar Year Resident Population Estimates

Notice 2003-16

This notice informs (1) state and local housing credit agencies that allocate low-income housing tax credits under § 42 of the Internal Revenue Code and (2) states and other issuers of tax-exempt private activity bonds under § 141, of the proper population figures to be used for calculating the 2003 calendar year population-based component of the state housing credit ceiling (Credit Ceiling) under § 42(h)(3)(C)(ii), the 2003 calendar year volume cap (Volume Cap) under § 146, and the 2003 volume limit (Volume Limit) under § 142(k)(5).

The population figures both for the population-based component of the Credit Ceiling and for the Volume Cap are determined by reference to § 146(j). That section provides generally that determinations

of population for any calendar year are made on the basis of the most recent census estimate of the resident population of a state (or issuing authority) released by the Bureau of the Census before the beginning of such calendar year. Section 142(k)(5) provides that the Volume Limit is based on the State population.

The population-based component of the Credit Ceiling and the Volume Cap are adjusted for inflation pursuant to §§ 42(h)(3)(H) and 146(d)(2), respectively. The adjustments for the 2003 calendar year were published in Rev. Proc. 2002-70, 2002-46 I.R.B. 845. Section 3.07 of Rev. Proc. 2002-70 provides that, for calendar years beginning in 2003, the amounts used under § 42(h)(3)(C)(ii) to calculate the Credit Ceiling is the greater of \$1.75 multiplied by the State population (see the resident population figures provided below) or \$2,030,000. Further, section 3.14 of Rev. Proc. 2002-70 provides that the amounts used under § 146(d)(1) to calculate the Vol-

ume Cap for calendar year 2003 is the greater of \$75 multiplied by the State population (see the resident population figures provided below) or \$228,580,000.

The proper population figures for calculating the Credit Ceiling, the Volume Cap, and the Volume Limit for the 2003 calendar year are the estimates of the resident population of the 50 states, the District of Columbia, and Puerto Rico released by the Bureau of the Census on December 20, 2002, in Press Release CB02-168. The proper population figures for calculating the Credit Ceiling, the Volume Cap, and the Volume Limit for the 2003 calendar year for the insular areas (American Samoa, Guam, Northern Mariana Islands, and U.S. Virgin Islands) are the figures released by the Bureau of the Census on July 3, 2001, in press release CB01-CN.1. For convenience, these estimates are reprinted below.

Resident Population Figures

Alabama	4,486,508
Alaska	643,786
American Samoa	57,291
Arizona	5,456,453
Arkansas	2,710,079
California	35,116,033
Colorado	4,506,542
Connecticut	3,460,503
Delaware	807,385
D.C.	570,898
Florida	16,713,149
Georgia	8,560,310
Guam	154,805
Hawaii	1,244,898
Idaho	1,341,131
Illinois	12,600,620
Indiana	6,159,068
Iowa	2,936,760

Resident Population Figures

Kansas	2,715,884
Kentucky	4,092,891
Louisiana	4,482,646
Maine	1,294,464
Maryland	5,458,137
Massachusetts	6,427,801
Michigan	10,050,446
Minnesota	5,019,720
Mississippi	2,871,782
Missouri	5,672,579
Montana	909,453
Nebraska	1,729,180
Nevada	2,173,491
New Hampshire	1,275,056
New Jersey	8,590,300
New Mexico	1,855,059
New York	19,157,532
North Carolina	8,320,146
North Dakota	634,110
Northern Mariana Islands	69,221
Ohio	11,421,267
Oklahoma	3,493,714
Oregon	3,521,515
Pennsylvania	12,335,091
Puerto Rico	3,858,806
Rhode Island	1,069,725
South Carolina	4,107,183
South Dakota	761,063
Tennessee	5,797,289
Texas	21,779,893
U.S. Virgin Islands	108,612
Utah	2,316,256
Vermont	616,592
Virginia	7,293,542
Washington	6,068,996
West Virginia	1,801,873
Wisconsin	5,441,196
Wyoming	498,703

The principal authors of this notice are Christopher J. Wilson, Office of the Associate Chief Counsel (Passthroughs and Special Industries) and Timothy L. Jones, Office of the Division Counsel/Associate Chief Counsel (Tax-Exempt and Government Entities). For further information regarding this notice, contact Mr. Wilson at (808) 539-2874 or Susan Reaman at (202) 622-3040 (not toll-free calls).

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.

(Also Part I, §§ 162, 6001, 1.6001-1.)

Rev. Proc. 2003-22

SECTION 1. PURPOSE

This revenue procedure provides taxpayers engaged in the trade or business of providing family day care with optional standard meal and snack rates to use in computing the deductible cost of food provided to eligible children receiving care from family day care providers.

SECTION 2. BACKGROUND

.01 Section 162(a) of the Internal Revenue Code allows a deduction for ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business. Under this section, family day care providers may deduct the cost of food provided to eligible children in the family day care. For family day care providers who receive reimbursements from a sponsor under the Child and Adult Care Food Program (CACFP) of the Department of Agriculture, only the portion of the cost of food, if any, that exceeds the reimbursements is deductible. Under § 262, however, no portion of the cost of food provided to the family day care provider's family, including food consumed by the provider or the provider's own children, is deductible.

.02 Section 6001 provides that every person liable for federal income tax shall keep such records and comply with such rules as the Commissioner of Internal Revenue prescribes. Section 1.6001-1(a) of the Income Tax Regulations provides that every person must keep records to substantiate the amount of any deduction.

.03 Section 7602(a) provides that the Commissioner may examine any books, pa-

pers, records, or other data that may be relevant to ascertaining the correctness of any return, making a return where none has been made, or determining the liability of any person for any internal revenue tax.

.04 Under §§ 162 and 6001, family day care providers must keep records that substantiate deductions for food provided to eligible children in the family day care. Because family day care providers often purchase food that is used for their own families as well as in carrying on their family day care business, they may have difficulty substantiating the portion of the cost of food that is attributable to their family day care business. Additionally, it is burdensome for family day care providers to keep receipts for all food purchased during the taxable year for both the family day care and their own family's personal use. To minimize disputes concerning the records family day care providers must keep to substantiate their deductible food cost, and to reduce burden by eliminating the need to keep all receipts for food purchased during the taxable year, the Internal Revenue Service will permit family day care providers to use the standard meal and snack rates provided in this revenue procedure to compute the deductible cost of food in lieu of using actual costs. A family day care provider who complies with all the provisions of this revenue procedure will be deemed to meet the substantiation requirements of § 6001 and the regulations thereunder for the purpose of computing the deductible cost of food provided to eligible children in the family day care.

SECTION 3. SCOPE

This revenue procedure applies to any family day care provider, whether or not licensed, registered, or otherwise regulated by the state or locality in which the family day care operates, who chooses to use the standard meal and snack rates provided in this revenue procedure to substantiate the deductible cost of meals and snacks provided to eligible children in the family day care.

SECTION 4. DEFINITIONS

.01 *Family Day Care Provider.* A family day care provider is a taxpayer engaged in the trade or business of providing family day care.

.02 *Family Day Care.* Family day care is child care provided to eligible children

in the home of the family day care provider that is (1) non-medical, (2) does not involve a transfer of legal custody, and (3) generally lasts for less than 24 hours each day.

.03 *Eligible Children.* Except as otherwise provided in this section, eligible children are unemancipated minors receiving family day care in the home of the family day care provider. Eligible children do not include children who are full-time or part-time residents in the home in which the child care is provided or children whose parent(s) or guardian(s) are residents of the same home. For example, a family day care provider's own children, and any children who live in the family day care provider's home on a full or part-time basis, are not eligible children even if they receive day care services from the family day care provider. Eligible children do not include children who receive day care services for personal reasons of the family day care provider. For example, if a family day care provider provides day care services for the provider's sister's child as a favor to the sister, that child is not an eligible child within the meaning of this revenue procedure.

SECTION 5. APPLICATION

.01 *In General.* Family day care providers may compute the deductible cost of each meal and snack actually purchased and served to an eligible child during the time period when family day care is provided by using the standard meal and snack rates provided in section 5.04 of this revenue procedure. A family day care provider may use the standard meal and snack rates for a maximum of one breakfast, one lunch, one dinner, and three snacks per eligible child per day. The rates apply regardless of whether a family day care provider is reimbursed for food costs, in whole or in part, under the CACFP, or under any other program, for a particular meal or snack. A family day care provider who receives a reimbursement for a particular meal or snack, however, may deduct only the portion of the applicable standard meal or snack rate that exceeds the amount of the reimbursement.

.02 *Rates Must Be Used Consistently.* Family day care providers may use either the standard meal and snack rates or actual costs to calculate the deductible cost of food provided to eligible children in the

family day care in any particular taxable year. Family day care providers who choose to use the standard meal and snack rates provided in this revenue procedure for a particular taxable year must use the rates for all their deductible food costs during that taxable year. However, a family day care provider who uses the standard meal and snack rates in any taxable year may use actual costs to compute the deductible cost of food in any other taxable year.

.03 Record Keeping. To satisfy the record keeping requirements of § 6001 and the regulations thereunder, family day care providers who use the standard meal and snack rates provided in this revenue procedure must maintain records to substantiate their computation of the total amount deduct-

ible under this revenue procedure for each taxable year. The records should include the name of each eligible child, dates and hours of attendance in the family day care, and the type and quantity of meals and snacks served. This information may be recorded in the meal and snack log contained in the APPENDIX to this revenue procedure. A family day care provider who uses the log in the APPENDIX to maintain accurate and required information will be deemed to comply with the record keeping requirements of § 6001 and the regulations thereunder.

.04 Standard Meal and Snack Rates.

The standard meal and snack rates are equal to the Tier I reimbursement rates of the CACFP for meals served in day care

homes. For purposes of this revenue procedure, the standard meal and snack rates for a taxable year are the Tier I rates in effect on December 31 preceding the beginning of the family day care provider's taxable year. For example, for the 2003 taxable year, calendar year family day care providers will use the Tier I rates in effect on December 31, 2002, as the standard meal and snack rates to calculate their deductible food costs for the entire 2003 taxable year. The rates will be adjusted annually (see section 5.06 of this revenue procedure).

The standard meal and snack rates in effect on December 31, 2002, are:

(1) For all family day care providers other than those located in Alaska or Hawaii:

Breakfast	\$0.98
Lunch/Dinner	\$1.80
Snack	\$0.53

(2) For family day care providers located in Alaska:

Breakfast	\$1.55
Lunch/Dinner	\$2.93
Snack	\$0.87

(3) For family day care providers located in Hawaii:

Breakfast	\$1.13
Lunch/Dinner	\$2.11
Snack	\$0.63

.05 What is Included in the Standard Meal and Snack Rates. The standard meal rates apply to breakfast, lunch, and dinner. The standard meal and snack rates include beverages, but do not include non-food supplies used for food preparation, service, or storage, such as containers, paper products or utensils. The standard meal and snack rates do not include other non-food items such as medication, administrative supplies, or toys. A family day care provider who uses the standard meal and snack rates may separately deduct the cost of these non-food items if the cost is deductible under § 162.

.06 Annual Adjustment of the Standard Meal and Snack Rates. The standard meal and snack rates will be adjusted annually. The Department of Agriculture adjusts the Tier I reimbursement rates each July based on changes to the consumer price index for the cost of food at home. Although the Tier

I reimbursement rates apply for the period of July 1 to June 30 of each year, for purposes of this revenue procedure the standard meal and snack rates applicable for a particular taxable year are the Tier I rates in effect on December 31 preceding the beginning of the family day care provider's taxable year.

Generally, the CACFP reimbursement rates may be found on the Internet at www.usda.gov under "Child and Adult Care Food Program." The Service will post the standard meal and snack rates currently in effect under this revenue procedure on the Internet at www.irs.gov/businesses/small/industries/index.html, then click on "Child Care." The Service will also include the standard meal and snack rates that are current at the time of publication in Publication 587, *Business Use of Your Home*.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning after December 31, 2002.

SECTION 7. AUDIT PROTECTION

If a family day care provider uses the Tier I rates to compute the deductible cost of food provided to eligible children in a taxable year that ends before January 1, 2003, the Service will not raise the issue of the amount of the family day care provider's deductible food costs. If a family day care provider uses the Tier I rates to compute the deductible cost of food provided to eligible children in a taxable year that ends before January 1, 2003, and the amount of the family day care provider's deductible food costs is an issue under consideration (within the meaning of section 3.09 of Rev. Proc. 2002-9, 2002-3 I.R.B.

327) in examination, in appeals, or before the U.S. Tax Court in a taxable year that ends before January 1, 2003, that issue will not be further pursued by the Service.

DRAFTING INFORMATION

The principal author of this revenue procedure is Angella Warren of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Ms. Warren at (202) 622-4950 (not a toll-free call).

APPENDIX
Family Day Care Provider Meal and Snack Log
Name of Provider _____ **TIN/SSN** _____
Week of _____

Child's Name	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Totals	
	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Hours of attendance: _____ Bkfst <input type="checkbox"/> Snack <input type="checkbox"/> Lunch <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/> Dinner <input type="checkbox"/> Snack <input type="checkbox"/>	Number of breakfasts served: _____ Number of lunches served: _____ Number of dinners served: _____ Number of snacks served: _____
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Week of _____ (page _____)

Child's Name	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Totals	
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Weekly Totals: Breakfast _____ Lunch _____ Dinner _____ Snacks _____

Family Day Care Provider Meal and Snack Log

Name of Provider _____ **TIN/SSN** _____
Taxable Year Ending _____

Total number of breakfasts served during the year	_____ x breakfast rate of \$ _____ = \$ _____	(annual breakfast cost)
Total number of lunches served during the year	_____ x lunch rate of \$ _____ = \$ _____	(annual lunch cost)
Total number of dinners served during the year	_____ x dinner rate of \$ _____ = \$ _____	(annual dinner cost)
Total number of snacks served during the year	_____ x snack rate of \$ _____ = \$ _____	(annual snack cost)

Part IV. Items of General Interest

Notice of Proposed Rulemaking by Cross-Reference to Temporary Regulations and Notice of Public Hearing

Excise Tax Relating to Structured Settlement Factoring Transactions

REG-139768-02

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing.

SUMMARY: In T.D. 9042 on page 564 of this issue of the Bulletin, the IRS is issuing temporary regulations relating to the manner and method of reporting and paying the 40-percent excise tax imposed on any person who acquires structured settlement payment rights in a structured settlement factoring transaction. The text of those regulations also serves as the text of these proposed regulations. This document also provides notice of a public hearing on these proposed regulations.

DATES: Written or electronic comments must be received by May 20, 2003. Outlines of topics to be discussed at the public hearing scheduled for June 12, 2003, at 10:00 a.m. must be received by May 22, 2003.

ADDRESSES: Send submissions to: CC:PA:RU (REG-139768-02), room 5226, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:RU (REG-139768-02), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC. Alternatively, taxpayers may submit electronic comments directly to the IRS internet site at www.irs.gov/regs. The public hearing will be held in room 6718 of the Internal Revenue Building, 1111 Constitution Avenue NW, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Shareen S. Pflanz, 202-622-8488;

concerning submissions of comments, Sonya Cruse, 202-622-7180 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in this notice of proposed rulemaking has been submitted to the Office of Management and Budget for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)). Comments on the collection of information should be sent to the Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the **Internal Revenue Service**, Attn: IRS Reports Clearance Officer, W:CAR:MP:FP:S, Washington, DC 20224. Comments on the collection of information should be received by April 21, 2003. Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the **Internal Revenue Service**, including whether the information will have practical utility;

The accuracy of the estimated burden associated with the proposed collection of information (see below);

How the quality, utility, and clarity of the information to be collected may be enhanced;

How the burden of complying with the proposed collection of information may be minimized, including through the application of automated collection techniques or other forms of information technology; and

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of service to provide information.

The collection of information in this proposed regulation is in §§157.6001-1T, 157.6011-1T, 157.6081-1T, and 157.6161-1T. This information is required by the IRS to verify that the excise tax imposed under section 5891 of the Internal Revenue Code is properly reported on Form 8876 and timely paid. This information will be used for that purpose. The collection of information is mandatory. The likely respondents and/or recordkeepers are individuals, business or other for-profit institutions, and

small businesses and organizations. The reporting burden is also reflected on Form 8876.

Estimated total annual reporting and/or recordkeeping burden: 2 hours.

Estimated average annual burden hours per respondent and/or recordkeeper: 30 minutes.

Estimated number of respondents and/or recordkeepers: 4.

Estimated annual frequency of responses (for reporting requirements only): On occasion.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background and Explanation of Provisions

Temporary regulations in T.D. 9042 in this issue of the Bulletin add a new part 157 to title 26 of the Code of Federal Regulations. The temporary regulations set forth the manner and method of paying the excise tax imposed under section 5891. The text of those regulations also serves as the text of these proposed regulations. The preamble to the temporary regulations explains the amendments.

Special Analyses

It has been determined that this notice of proposed rulemaking is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. Further, it is hereby certified, pursuant to sections 603(a) and 605(b) of the Regulatory Flexibility Act, that the collection of information in these regulations will not have a significant economic impact on a substantial number of small entities. This

certification is based upon the expectation that the excise tax imposed by section 5891 of the Code will apply to few structured settlement factoring transactions. Therefore, a Regulatory Flexibility Analysis under the Regulatory Flexibility Act (5 U.S.C. chapter 6) is not required. Pursuant to section 7805(f) of the Internal Revenue Code, this notice of proposed rulemaking will be submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any written comments (a signed original and eight (8) copies) or electronic comments that are submitted timely to the IRS. All comments will be available for public inspection and copying.

A public hearing has been scheduled for June 12, 2003 beginning at 10:00 a.m. in room 6718 of the Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC. Due to building security procedures, visitors will not be admitted beyond the immediate entrance area more than 15 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the "FOR FURTHER INFORMATION CONTACT" section of this preamble.

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing must submit written comments and an outline of the topics to be discussed and the time to be devoted to each topic (signed original and eight (8) copies) by May 22, 2003. A period of 10 minutes will be allotted to each person for making comments. An agenda showing the scheduling of the speakers will be prepared after the deadline for receiving outlines has passed. Copies of the agenda will be available free of charge at the hearing.

Drafting Information

The principal author of these regulations is Shareen Soltanzadeh Pflanz, Office of Associate Chief Counsel (Income Tax and Accounting). However, other personnel from the IRS and Treasury Depart-

ment participated in their development.

* * * * *

Proposed Amendments to the Regulations

Accordingly, title 26 of the Code of Federal Regulations is proposed to be amended as follows:

SUBCHAPTER D — MISCELLANEOUS EXCISE TAXES

Paragraph 1. A new part 157 is added to read as follows:

PART 157 — EXCISE TAX ON STRUCTURED SETTLEMENT FACTORING TRANSACTIONS

Subpart A — Tax on Structured Settlement Factoring Transactions

Sec.

157.5891–1 Imposition of excise tax on structured settlement factoring transactions.

Subpart B — Procedure and Administration

Sec.

157.6001–1 Records, statements, and special returns.

157.6011–1 General requirement of return, statement, or list.

157.6061–1 Signing of returns and other documents.

157.6065–1 Verification of returns.

157.6071–1 Time for filing returns.

157.6081–1 Extension of time for filing the return.

157.6091–1 Place for filing returns.

157.6151–1 Time and place for paying of tax shown on returns.

157.6161–1 Extension of time for paying tax.

157.6165–1 Bonds where time to pay tax has been extended.

Authority: 26 U.S.C. 7805

Section 157.6001–1 also issued under 26 U.S.C. 6001.

Section 157.6011–1 also issued under 26 U.S.C. 6011.

Section 157.6061–1 also issued under 26 U.S.C. 6061.

Section 157.6091–1 also issued under 26 U.S.C. 6091.

Section 157.6161–1 also issued under 26 U.S.C. 6161.

Subpart A — Tax on Structured Settlement Factoring Transactions

§157.5891–1 Imposition of excise tax on structured settlement factoring transactions.

[The text of proposed §157.5891–1 is the same as the text of §157.5891–1T published elsewhere in this issue of the **Federal Register**].

Subpart B — Procedure and Administration

§157.6001–1 Records, statements, and special returns.

[The text of proposed §157.6001–1 is the same as the text of §157.6001–1T published elsewhere in this issue of the **Federal Register**].

§157.6011–1 General requirement of return, statement, or list.

[The text of proposed §157.6011–1 is the same as the text of §157.6011–1T published elsewhere in this issue of the **Federal Register**].

§157.6061–1 Signing of returns and other documents.

[The text of proposed §157.6061–1 is the same as the text of §157.6061–1T published elsewhere in this issue of the **Federal Register**].

§157.6065–1 Verification of returns.

[The text of proposed §157.6065–1 is the same as the text of §157.6065–1T published elsewhere in this issue of the **Federal Register**].

§157.6071–1 Time for filing returns.

[The text of proposed §157.6071–1 is the same as the text of §157.6071–1T published elsewhere in this issue of the **Federal Register**].

§157.6081–1 Extension of time for filing the return.

[The text of proposed §157.6081–1 is the same as the text of §157.6081–1T published elsewhere in this issue of the **Federal Register**].

§157.6091-1 Place for filing returns.

[The text of proposed §157.6091-1 is the same as the text of §157.6091-1T published elsewhere in this issue of the **Federal Register**].

§157.6151-1 Time and place for paying of tax shown on returns.

[The text of proposed §157.6151-1 is the same as the text of §157.6151-1T published elsewhere in this issue of the **Federal Register**].

§157.6161-1 Extension of time for paying tax.

[The text of proposed §157.6156-1 is the same as the text of §157.6161-1T published elsewhere in this issue of the **Federal Register**].

§157.6165-1 Bonds where time to pay tax has been extended.

[The text of proposed §157.6165-1 is the same as the text of §157.6165-1T published elsewhere in this issue of the **Federal Register**].

David A. Mader,
*Assistant Deputy Commissioner
of Internal Revenue.*

(Filed by the Office of the Federal Register on February 18, 2003, 8:45 a.m., and published in the issue of the Federal Register for February 19, 2003, 68 F.R. 7956)

Information Reporting Relating to Taxable Stock Transactions; Correction Announcement 2003-11

AGENCY: Internal Revenue Service (IRS),
Treasury

ACTION: Correction to temporary regulations.

SUMMARY: This document contains corrections to temporary regulations that were published in the **Federal Register** on November 18, 2002 (T.D. 9022, 2002-48 I.R.B. 909 [67 FR 69468]). This document contains temporary regulations under section 6043(c) requiring information reporting by a corporation if control of the corporation is acquired or if the corporation has a recapitalization or other substantial change in capital structure.

DATES: This correction is effective November 18, 2002.

FOR FURTHER INFORMATION CONTACT: Nancy Rose at (202) 622-4910 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations that are the subject of this correction are under section 6043(c) of the Internal Revenue Code.

Need for Correction

As published, the temporary regulations (T.D. 9022) contain errors that may prove to be misleading and are in need of clarification.

Correction of Publication

Accordingly, the publication of the temporary regulations (T.D. 9022), which is the subject of FR Doc. 02-29199, is corrected as follows:

1. On page 69469, column 2, in the preamble, under the paragraph heading "Background and Explanation of Provisions", line 5, the language "regulations published in proposed rules" is corrected to read "regulations published in the proposed rules".

§1.6043-4T [Corrected]

2. On page 69470, column 1, §1.6043-4T, paragraph (a)(5), the last line in column one, the language "shareholders who receive cash, stock or" is corrected to read "shareholders who receive cash, stock, or".

3. On page 69472, column 1, §1.6043-4T, paragraph (h), of *Example 2*, line 1, the language "Example 2. C, a domestic corporation, and" is corrected to read "Example 2. C, a domestic corporation and".

§1.6045-3T [Corrected]

4. On page 69473, column 1, §1.6045-3T, paragraph (d), line 2, the language "receives stock, cash or other property" is corrected to read "receives stock, cash, or other property".

Cynthia E. Grigsby,
*Chief, Regulations Unit,
Associate Chief Counsel
(Procedure and Administration).*

(Filed by the Office of the Federal Register on February 5, 2003, 8:45 a.m., and published in the issue of the Federal Register for February 6, 2003, 68 F.R. 6081)

Excise Taxes; Definition of Highway Vehicle; Hearing, and Information Reporting Relating to Taxable Stock Transactions; Hearing

Announcement 2003-12

AGENCY: Internal Revenue Service (IRS),
Treasury.

ACTION: Change of location of public hearings.

SUMMARY: This document changes the location of two public hearings on proposed regulations relating to the definition of a highway vehicle for purposes of various excise taxes and information reporting relating to taxable stock transactions.

DATES: The public hearings scheduled in room 4718 on Thursday, February 27, 2003, and Tuesday, March 25, 2003, respectively, are rescheduled to be held in the IRS Auditorium at 10 a.m.

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing, Treena Garrett at (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

A notice of public hearing (REG-103829-99, published in the I.R.B. as Announcement 2002-95, 2002-42 I.R.B. 727 [67 FR 58346]), that was published in the **Federal Register** on Monday, September 16, 2002, announced that a public hearing on proposed regulations relating to the definition of a highway vehicle for purposes of various excise taxes under sections 4041 (fuel taxes), 4051 (retail tax on heavy vehicles), 4071 (tire tax) and sections 6421 and 6427 (fuel tax credits and refunds) of the Internal Revenue Code would be held on Thursday, February 27, 2003, beginning at 10 a.m. in room 4718 of the Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

A notice of proposed rulemaking by cross-reference to temporary regulations and notice of public hearing (REG-143321-02, 2002-48 I.R.B. 922 [67 FR 69496]), that was published in the **Federal Register** on Monday, November 18, 2002, and

Wednesday, November 27, 2002 (published in the I.R.B. as Announcement 2002–111, 2002–50 I.R.B. 971 [70891]), announced that a public hearing on proposed regulations relating to information reporting relating to taxable stock transactions under sections 6043(c) and 6045 of the Internal Revenue Code would be held on Tuesday, March 25, 2003, beginning at 10 a.m. in room 4718 of the Internal Revenue Building, 1111 Constitution Avenue, NW, Washington, DC.

The location of both public hearings has changed. The public hearing for REG–103829–99 and REG–143321–02 are being held in the Auditorium, beginning at 10 a.m., Internal Revenue Service Building, 1111 Constitution Avenue, NW, Washington, DC. Because of the controlled access restrictions, attendees are not admitted beyond the lobby of the Internal Revenue Service Building until 9:30 a.m. The IRS will prepare an agenda showing the scheduling of the speakers after the outlines are re-

ceived from the persons testifying and make copies available free of charge at the hearing.

Cynthia E. Grigsby,
Chief, Regulations Unit,
Associate Chief Counsel
(Procedure and Administration).

(Filed by the Office of the Federal Register on February 13, 2003, 8:45 a.m., and published in the issue of the Federal Register for February 14, 2003, 68 F.R. 7454)

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it

applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.

PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

Bulletins 2003–1 through 2003–9

Announcements:

2003–1, 2003–2 I.R.B. 281
2003–2, 2003–3 I.R.B. 301
2003–3, 2003–4 I.R.B. 361
2003–4, 2003–5 I.R.B. 396
2003–5, 2003–5 I.R.B. 397
2003–6, 2003–6 I.R.B. 450
2003–7, 2003–6 I.R.B. 450
2003–8, 2003–6 I.R.B. 451
2003–9, 2003–7 I.R.B. 490
2003–10, 2003–7 I.R.B. 490

Notices:

2003–1, 2003–2 I.R.B. 257
2003–2, 2003–2 I.R.B. 257
2003–3, 2003–2 I.R.B. 258
2003–4, 2003–3 I.R.B. 294
2003–5, 2003–3 I.R.B. 294
2003–6, 2003–3 I.R.B. 298
2003–7, 2003–4 I.R.B. 310
2003–8, 2003–4 I.R.B. 310
2003–9, 2003–5 I.R.B. 369
2003–10, 2003–5 I.R.B. 369
2003–11, 2003–6 I.R.B. 422
2003–12, 2003–6 I.R.B. 422
2003–13, 2003–8 I.R.B. 513
2003–14, 2003–8 I.R.B. 515
2003–15, 2003–9 I.R.B. 540

Proposed Regulations:

REG–209500–86, 2003–2 I.R.B. 262
REG–116641–01, 2003–8 I.R.B. 518
REG–125638–01, 2003–5 I.R.B. 373
REG–126016–01, 2003–7 I.R.B. 486
REG–126485–01, 2003–9 I.R.B. 542
REG–103580–02, 2003–9 I.R.B. 543
REG–124069–02, 2003–7 I.R.B. 488
REG–138882–02, 2003–8 I.R.B. 522
REG–151043–02, 2003–3 I.R.B. 300
REG–164464–02, 2003–2 I.R.B. 262

Revenue Procedures:

2003–1, 2003–1 I.R.B. 1
2003–2, 2003–1 I.R.B. 76
2003–3, 2003–1 I.R.B. 113
2003–4, 2003–1 I.R.B. 123
2003–5, 2003–1 I.R.B. 163
2003–6, 2003–1 I.R.B. 191
2003–7, 2003–1 I.R.B. 233
2003–8, 2003–1 I.R.B. 236
2003–9, 2003–8 I.R.B. 516
2003–10, 2003–2 I.R.B. 259
2003–11, 2003–4 I.R.B. 311
2003–12, 2003–4 I.R.B. 316
2003–13, 2003–4 I.R.B. 317
2003–14, 2003–4 I.R.B. 319
2003–15, 2003–4 I.R.B. 321
2003–16, 2003–4 I.R.B. 359
2003–17, 2003–6 I.R.B. 427
2003–18, 2003–6 I.R.B. 439

Revenue Procedures—Continued:

2003–19, 2003–5 I.R.B. 371
2003–20, 2003–6 I.R.B. 445
2003–21, 2003–6 I.R.B. 448

Revenue Rulings:

2003–1, 2003–3 I.R.B. 291
2003–2, 2003–2 I.R.B. 251
2003–3, 2003–3 I.R.B. 252
2003–4, 2003–4 I.R.B. 253
2003–5, 2003–5 I.R.B. 254
2003–6, 2003–3 I.R.B. 286
2003–7, 2003–5 I.R.B. 363
2003–8, 2003–3 I.R.B. 290
2003–9, 2003–4 I.R.B. 303
2003–10, 2003–3 I.R.B. 288
2003–11, 2003–3 I.R.B. 285
2003–12, 2003–3 I.R.B. 283
2003–13, 2003–4 I.R.B. 305
2003–14, 2003–4 I.R.B. 302
2003–15, 2003–4 I.R.B. 302
2003–16, 2003–6 I.R.B. 401
2003–17, 2003–6 I.R.B. 400
2003–18, 2003–7 I.R.B. 467
2003–19, 2003–7 I.R.B. 468
2003–20, 2003–7 I.R.B. 465
2003–21, 2003–8 I.R.B. 509
2003–22, 2003–8 I.R.B. 494
2003–23, 2003–8 I.R.B. 511

Treasury Decisions:

9024, 2003–5 I.R.B. 365
9025, 2003–5 I.R.B. 362
9026, 2003–5 I.R.B. 366
9027, 2003–6 I.R.B. 413
9028, 2003–6 I.R.B. 415
9029, 2003–6 I.R.B. 403
9030, 2003–8 I.R.B. 495
9031, 2003–8 I.R.B. 504
9032, 2003–7 I.R.B. 471
9033, 2003–7 I.R.B. 483
9034, 2003–7 I.R.B. 453
9035, 2003–9 I.R.B. 528
9036, 2003–9 I.R.B. 533
9037, 2003–9 I.R.B. 535
9038, 2003–9 I.R.B. 524
9041, 2003–8 I.R.B. 510

¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2002–26 through 2002–52 is in Internal Revenue Bulletin 2003–1, dated January 6, 2003.

Finding List of Current Actions on Previously Published Items²

Bulletins 2003–1 through 2003–9

Notices:

97–19

Modified by
Rev. Proc. 2003–1, 2003–1 I.R.B. *I*

2001–26

Obsoleted by
T.D. 9032, 2003–7 I.R.B. *471*

2001–46

Modified by
Notice 2003–6, 2003–3 I.R.B. *298*

2001–69

Modified and superseded by
Notice 2003–1, 2003–2 I.R.B. *257*

2002–27

Clarified by
Notice 2003–3, 2003–2 I.R.B. *258*

2002–46

Modified by
Notice 2003–10, 2003–5 I.R.B. *369*

Proposed Regulations:

REG–209500–86

Corrected by
Ann. 2003–6, 2003–6 I.R.B. *450*

REG–126485–01

Withdrawn by
REG–126485–01, 2003–9 I.R.B. *542*

REG–164464–02

Corrected by
Ann. 2003–6, 2003–6 I.R.B. *450*

Revenue Procedures:

83–23

Supplemented by
Rev. Proc. 2003–21, 2003–6 I.R.B. *448*

84–37

Modified by
Rev. Proc. 2003–1, 2003–1 I.R.B. *I*

93–38

Obsoleted by
Rev. Proc. 2003–15, 2003–4 I.R.B. *321*

97–31

Modified by
Rev. Proc. 2003–9, 2003–8 I.R.B. *516*

98–13

Obsoleted by
T.D. 9032, 2003–7 I.R.B. *471*

2002–1

Superseded by
Rev. Proc. 2003–1, 2003–1 I.R.B. *I*

Revenue Procedures—Continued:

2002–2

Superseded by
Rev. Proc. 2003–2, 2003–1 I.R.B. *76*

2002–3

Superseded by
Rev. Proc. 2003–3, 2003–1 I.R.B. *113*

2002–4

Superseded by
Rev. Proc. 2003–4, 2003–1 I.R.B. *123*

2002–5

Superseded by
Rev. Proc. 2003–5, 2003–1 I.R.B. *163*

2002–6

Superseded by
Rev. Proc. 2003–6, 2003–1 I.R.B. *191*

2002–7

Superseded by
Rev. Proc. 2003–7, 2003–1 I.R.B. *233*

2002–8

Superseded by
Rev. Proc. 2003–8, 2003–1 I.R.B. *236*

2002–9

Modified and amplified by
Rev. Proc. 2003–20, 2003–6 I.R.B. *445*
Rev. Rul. 2003–3, 2003–2 I.R.B. *252*

2002–22

Modified by
Rev. Proc. 2003–3, 2003–1 I.R.B. *113*

2002–29

Modified by
Rev. Proc. 2003–10, 2003–2 I.R.B. *259*

2002–52

Modified by
Rev. Proc. 2003–1, 2003–1 I.R.B. *I*

2002–67

Supplemented by
Ann. 2003–3, 2003–4 I.R.B. *361*

2002–75

Superseded by
Rev. Proc. 2003–3, 2003–1 I.R.B. *113*

2003–3

Amplified by
Rev. Proc. 2003–14, 2003–4 I.R.B. *319*

2003–7

Corrected by
Ann. 2003–4, 2003–5 I.R.B. *396*

Revenue Rulings:

53–131

Modified by
Rev. Rul. 2003–12, 2003–3 I.R.B. *283*

57–190

Obsoleted by
Rev. Rul. 2003–18, 2003–7 I.R.B. *467*

Revenue Rulings—Continued:

65–190

Revoked by
Rev. Rul. 2003–3, 2003–2 I.R.B. *252*

69–372

Revoked by
Rev. Rul. 2003–3, 2003–2 I.R.B. *252*

2003–2

Revoked by
Rev. Rul. 2003–22, 2003–8 I.R.B. *494*

Treasury Decisions:

9002

Corrected by
Ann. 2003–8, 2003–6 I.R.B. *451*

9022

Supplemented by
Ann. 2003–7, 2003–6 I.R.B. *450*

² A cumulative list of current actions on previously published items in Internal Revenue Bulletins 2002–26 through 2002–52 is in Internal Revenue Bulletin 2003–1, dated January 6, 2003.